



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Management Letter

# Santa Cruz County

Year Ended June 30, 2003

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**Debra K. Davenport**  
Auditor General

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**STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL**

**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

July 23, 2004

Board of Supervisors  
Santa Cruz County  
2150 North Congress Drive  
Nogales, AZ 85621

Members of the Board:

In planning and conducting our single audit of Santa Cruz County for the year ended June 30, 2003, we performed the following as required by *Government Auditing Standards* (GAS) and Office of Management and Budget (OMB) Circular A-133:

- Considered the County's internal controls over financial reporting,
- Tested its internal controls over major federal programs, and
- Tested its compliance with laws and regulations that could have a direct and material effect on its financial statements and major federal programs.

All audit findings that are required to be reported by GAS and OMB Circular A-133 have been included in the County's Single Audit Reporting Package for the year ended June 30, 2003. In addition, our audit disclosed internal control weaknesses that do not meet the reporting criteria. Management should correct these deficiencies to ensure it fulfills its responsibility to establish and maintain adequate internal controls. Our recommendations are described in the accompanying summary.

In addition, as required by Arizona Revised Statutes §41-1279.21(A)(1), we reviewed the County's financial records to evaluate whether the County used Highway User Revenue Fund monies and any other dedicated state transportation monies solely for authorized transportation purposes. However, we have requested an opinion from the Arizona Attorney General about whether certain types of county transportation department expenditures are for transportation purposes authorized by the Constitution and state laws, but have not yet received a response to our request. Once we receive the opinion, we will complete our review and report any instances of noncompliance in a separate letter.

This letter is intended solely for the information of the Santa Cruz County Board of Supervisors and is not intended to be and should not be used by anyone other than the specified party. However, this letter is a matter of public record, and its distribution is not limited.

Should you have any questions concerning its contents, please let us know.

Sincerely,

Dennis L. Mattheisen, CPA  
Financial Audit Director

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## The County should properly record and report federal grant reimbursements

The Board of Supervisors depends on accurate accounting records and financial statements so it can fulfill its oversight responsibility. The County should also report accurate and timely information to the public, lenders, and agencies from which it receives funding. To achieve this objective, management should ensure that transactions are recorded accurately in the appropriate accounts. However, the County did not always maintain detailed receivable schedules for federal grant reimbursements to support the financial statements. As a result, the County did not always promptly request reimbursement when federal grant monies were expended and record resulting revenues when earned. The County adjusted the financial statements for all significant errors noted by the auditors.

The County should ensure that the financial information it reports to its citizens, lenders, and the federal government is accurate, timely, and complete. Therefore, county management should establish procedures to ensure that all transactions are accurately accumulated and reported in schedules supporting the financial statements so they will be recognized in the appropriate accounting period. Further, county management should promptly request reimbursement for federal grant monies expended to help alleviate negative cash balances for extended periods of time.

A similar recommendation was previously provided in our Management Letter to the County, dated March 20, 2003.

## The County needs to secure its accounting system from unauthorized transactions

The County uses a computerized accounting system to process its financial transactions and maintain its accounting system. Therefore, it is vital that the County secure its computerized accounting system to help prevent unauthorized transactions. However, one employee had both security and database administrative responsibilities. In addition, the County allowed all employees in the computer room where it stored its computer files and programs.

To provide adequate security over electronic data processing, the County should separate security and database administrative responsibilities. Also, management should perform a supervisory review and approval of each new user's level of access and all system security changes. Further, to adequately control and safeguard computer hardware, files, and programs, management should limit computer room access to operators. Access to the computer room can be limited and monitored by using combination entry pads, card-key door locks, surveillance monitors, or intrusion detectors.

This recommendation was previously provided in our Management Letter to the County, dated March 20, 2003.

BOARD OF SUPERVISORS  
SANTA CRUZ COUNTY

MANUEL RUIZ  
District 1

ROBERT DAMON  
District 2

JOHN MAYNARD  
District 3

March 25, 2004

Ms. Debbie Davenport, Auditor General  
State of Arizona, Office of the Auditor General  
2910 North 44th Street, Suite 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

In response to the Management Letter for the County's audit for the fiscal year ended June 30, 2003, I concur in general with the findings and will establish guidelines to improve the areas noted in the report, except as otherwise noted.

**The County should properly record and report federal grant reimbursements**

Concur. We will take greater care in preparing our detailed receivable schedules and ensure that all federal reimbursement requests are submitted in a timely manner.

**The County needs to secure its accounting system from unauthorized transactions**

Concur. We segregate responsibilities as possible but due to staffing shortages, there is just one employee with the knowledge to perform both security and database administrative responsibilities. We are working with our software company to see if we can further segregate these duties in the future. In addition, we do not feel that the computer room access should be further limited as the area is glass and we can see if there is unauthorized access.

Sincerely,

Jennifer K St John, CPA  
Director of Administrative Services